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THE INCENTIVE AUCTION TASK FORCE, WITH THE MEDIA AND WIRELESS TELECOMMUNICATIONS BUREAUS, RELEASES A PUBLIC NOTICE CONCERNING: CONFIDENTIAL LETTERS REGARDING POST-INCENTIVE AUCTION CHANNEL ASSIGNMENTS; LIMITED WAIVER OF PROHIBITED COMMUNICATIONS RULES; AND BROADCAST STATION SALES AND TRANSFERS

GN Docket No. 12-268 MB Docket No. 16-306 AU Docket No. 14-252

1. By this Public Notice, the Incentive Auction Task Force and the Media Bureau announce that, within the next few days, they will send to each eligible full power or Class A television station that was not a provisionally winning bidder to go off-air at the end of Stage 4 of the reverse auction (Auction 1001) of the broadcast television incentive auction a confidential letter with important information regarding the station's post-auction channel assignment. In addition, the Wireless Telecommunications Bureau announces a limited waiver of the rule prohibiting communicating bids and bidding strategies in the reverse auction portion of the incentive auction.¹

I. CONFIDENTIAL LETTERS REGARDING CHANNEL ASSIGNMENTS

2. The conditions of the final stage rule having been satisfied on January 18, 2017, the Auction System has finalized the channel assignment plan for the post-auction television bands using the optimization procedures described in the *Auction 1000 Bidding Procedures Public Notice*. The plan will not be effective until the incentive auction is complete and the results of the auction and the repacking process are announced publicly in the *Auction 1000 Closing and Channel Reassignment Public Notice* (*Closing and Reassignment Public Notice*). Nevertheless, in order to provide broadcasters with as much time as possible to prepare for the post-auction transition, we will be sending in the next few days to each station that was not a provisionally winning bidder to go off-air at the end of Stage 4 of the reverse auction (Auction 1001) a confidential letter identifying its assignment.

¹ See 47 CFR §§ 1.2105(c)(6)(ii), 1.2205(b)(1).

² See Broadcast Incentive Auction Scheduled to Begin March 29, 2016; Procedures for Competitive Bidding in Auction 1000, Including Initial Clearing Target Determination, Qualifying to Bid, and Bidding in Auctions 1001 (Reverse) and 1002 (Forward), Public Notice, 30 FCC Rcd 8975, 89100-05, paras. 271-81 (2015) (Auction 1000 Bidding Procedures Public Notice).

³ Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, Report and Order, 29 FCC Rcd 6567, 6783, para. 529 (2014) (Incentive Auction R&O). Additionally, the release of that public notice will mark the beginning of the 39-month post-auction transition. See 47 CFR § 27.4.

- 3. Confidential letters will be sent regardless of whether a station's post-auction channel assignment has changed from its pre-auction channel assignment.⁴ Letters sent to stations that have been reassigned to a new post-auction channel will contain additional information, including technical parameters and the station's transition phase assignment for moving to the post-auction channel.⁵
- 4. Pursuant to the Spectrum Act, the Commission is obligated to take reasonable steps to keep confidential Commission-held data of licensees with respect to their participation in the reverse auction, including their identities. Accordingly, the letters to the broadcasters are being sent on a confidential basis. We emphasize that the channel assignment plan for the post-auction television bands will not be effective until the auction is complete and the *Closing and Reassignment Public Notice* is released. Notifying broadcasters of their post-auction channel assignments in advance on a confidential basis, however, will allow them to take advantage of the intervening time to prepare for the post-auction transition. We encourage stations to take full advantage of this opportunity.

II. LIMITED WAIVER OF PROHIBITION ON COMMUNICATING ANY INCENTIVE AUCTION APPLICANT'S REVERSE AUCTION BIDS OR BIDDING STRATEGIES

- 5. The Wireless Telecommunications Bureau waives the rules prohibiting communication between specified parties of any incentive auction applicant's reverse auction bids or bidding strategies. This limited waiver will serve the public interest in a rapid, non-disruptive post-auction transition by enabling broadcasters and related parties to prepare by communicating post-auction channel assignment information without risk of violating FCC rules. This limited waiver does not affect the rules that prohibit communication of any incentive auction applicant's forward auction bids or bidding strategies.
- 6. Sections 1.2205(b)(1) and 1.2105(c)(6)(ii) of the Commission's rules prohibit broadcasters and forward auction applicants from communicating any incentive auction applicant's bids or bidding strategies to other parties specified in the respective provisions.⁸ Broadcasters are prohibited

⁴ As indicated in prior Pubic Notices, if a station was selected by a licensee on a Form 177 application to participate in the incentive auction, the Commission will use the contact information currently contained in the Form 177 to communicate with the licensee about that station and any channel reassignment for it, regardless of subsequent events affecting that station's participation in the auction (e.g., whether the application was deemed complete with respect to the station, whether the licensee made an initial commitment with respect to the station, whether any initial commitment made could be accommodated, or whether the station exited the auction, voluntarily or involuntarily). For all other stations, the Commission will use the contact information currently contained in the Licensing and Management System (LMS) to communicate with stations about channel reassignments. *See Media Bureau and Incentive Auction Task Force Urge Television Licensees to Update Contact Information*, Public Notice, DA 17-10 (MB Jan. 5, 2017); *Media Bureau and Incentive Auction Task Force Urge Television Licensees to Update Contact Information*, Public Notice, 31 FCC Rcd 11619 (MB 2016).

⁵ See Incentive Auction Task Force and Media Bureau Adopt Post-Incentive Auction Transition Scheduling Plan, Public Notice, DA 17-107, para. 7 (MB January 27, 2017) (Transition Scheduling Adoption Public Notice); Incentive Auction Task Force and Media Bureau Seek Comment on Post-Incentive Auction Transition Scheduling Plan, MB Docket No. 16-306 and GN Docket No. 12-268, Public Notice, 31 FCC Rcd 10802, 10806, para. 7 (MB 2016) (Transition Scheduling Proposal Public Notice).

⁶ 47 U.S.C. § 1452(a)(3); *see also* 47 CFR § 1.2206. Release of the *Closing and Reassignment Public Notice* will mark the end of the statutory confidentiality period regarding reverse auction participation (pursuant to its rules, the Commission will continue to keep confidential for two more years information about unsuccessful reverse auction bids and bidders), and the end of the prohibition on certain communications by broadcasters with respect to incentive auction applicants' bids and bidding strategies. *See id.*; 47 U.S.C. § 1452(a)(3)(statutory confidentiality); 47 CFR §§ 1.2206 (confidentiality), 1.2205 (prohibition on certain communications).

⁷ 47 U.S.C. § 1452(a)(3); see also Incentive Auction R&O, 29 FCC Rcd at 6783-85, paras. 529-31.

⁸ Specifically, "all full power and Class A broadcast television licensees are prohibited from communicating directly (continued...)

from communicating the information to other broadcasters or forward auction applicants and forward auction applicants are prohibited from communicating the information to broadcasters. A separate section of the rule addresses communication by forward auction applicants of any incentive auction applicant's bids or bidding strategies to other specified parties. The prohibitions on broadcasters apply until the *Closing and Reassignment Public Notice*, the public notice announcing the close of the auction, is released. The prohibitions on forward auction applicants apply until the deadline for down payments on winning bids. The prohibitions cover related parties, as well as broadcast licensees and parties that applied to participate in the forward auction.

- 7. The Commission intended the prohibition on communications by broadcasters and related parties to reinforce existing antitrust laws, facilitate detection of collusive conduct, and assure incentive auction participants that the auction process will be fair and objective.¹³ The prohibition does so, in part, by preventing communications that might enable parties to coordinate bidding in violation of antitrust laws, or to collude to manipulate the outcome of the auction, or to have the potential of doing so and thereby undermine confidence in the process, deter participation, and thwart the public interest in an effective assignment of spectrum resources. The rules create a separate duty for covered parties to report violations, further limiting the likelihood of communications that might violate the prohibition and increasing the likelihood that any violations will be detected and subject to enforcement action.
- 8. Commenters addressing the transition schedule plan raised concerns that the prohibition might interfere with advance preparation for the post-auction transition by broadcasters after they receive their confidential letters by limiting communications regarding broadcasters' post-auction plans. ¹⁴ The prohibition does limit some communications about reverse auction bidding and results by broadcasters

⁹ This provision of the Commission's rules prohibits forward auction applicants "from cooperating or collaborating with respect to, communicating with or disclosing, to each other or any nationwide provider that is not an applicant, or, if the applicant is a nationwide provider, any non-nationwide provider that is not an applicant, in any manner the substance of their own, or each other's, or any other applicants' bids or bidding strategies (including post-auction market structure)." 47 CFR § 1.2205(c)(1). This separate provision remains in full force and is not affected by the waiver granted herein.

¹⁰ See 47 CFR § 1.2205(b)(1).

¹¹ See 47 CFR §§ 1.2105(c)(1) (communications among forward auction applicants), (c)(6) (communications between forward auction applicants and broadcasters), 1.2205(b)(1) (communications by broadcasters).

¹² For purposes of the prohibitions, covered broadcasters "shall include all controlling interests in the licensee, and all officers, directors, and governing board members of the licensee," 47 CFR § 1.2205(a)(1), and a forward auction applicant "shall include all controlling interests in the entity submitting a short-form application to participate in an auction (FCC Form 175), as well as all holders of partnership and other ownership interests and any stock interest amounting to 10 percent or more of the entity, or outstanding stock, or outstanding voting stock of the entity submitting a short-form application, and all officers and directors of that entity[, and i]n the case of a consortium, each member of the consortium shall be considered to have a controlling interest in the consortium." 47 CFR § 1.2105(c)(5)(i).

¹³ 47 CFR § 1.2206; see also Incentive Auction R&O, 29 FCC Rcd at 6737, para. 399.

¹⁴ See Transition Scheduling Adoption Public Notice at 30-31, para. 64. Later filings have made similar points. See Letter from Kathleen A. Kirby, Wiley Rein, LLP, to Marlene H. Dortch, Secretary, FCC, GN Docket No. 12-268 et al., (filed Jan. 30, 2017); Letter from Ravi Potharlanka, Chief Executive Officer and Co-Founder, LocusPoint Networks, to Ajit Pai, Chairman, FCC, WC Docket No. 16-306 et al., (filed Jan. 26, 2011).

with other broadcasters and forward auction applicants.¹⁵ Moreover, the prohibition may limit broadcasters' communications with other parties as well, given, for example, that information shared with third parties involved in the transition ultimately might be communicated to a covered party in violation of the prohibition.¹⁶ Broadcasters might refrain from such communications during the pendency of the prohibition to minimize the risk of violating it.¹⁷ This, in turn, would undermine the benefits of providing advance notification of post-auction channel assignments through the confidential letters.

- 9. Furthermore, as noted in the *Transition Scheduling Adoption Public Notice*, some broadcasters, specifically those with winning bids to change television bands, cannot communicate post-auction channel assignments without disclosing bids or bidding strategies.¹⁸ Some broadcasters, such as those involved in channel sharing, might find it very difficult to communicate effectively about post-auction channel assignments without making such disclosures. Accordingly, the *Transition Scheduling Adoption Public Notice* stated that any necessary waiver of the prohibition would be addressed at the time letters regarding post-auction channel assignments are sent.¹⁹ We now adopt such a waiver.
- 10. While administering a Commission auction, including the incentive auction, the Wireless Telecommunications Bureau has delegated authority to waive Commission auction rules where good cause exists.²⁰ We conclude that good cause exists to grant a limited waiver of the prohibited communications rules because full application of the rules in the present circumstances is not necessary to serve their underlying purpose and a waiver will serve the public interest.²¹
- 11. Now that the final stage rule has been satisfied, communications between broadcasters regarding reverse auction bidding and results can have no effect on bidding in the reverse auction. Pursuant to the Commission's rules, each bid in the reverse auction constitutes an irrevocable offer by the licensee to fulfill the terms of the bid.²² A bid cannot be changed after the round in which it is submitted concludes. Now that the final stage rule has been satisfied, there will be no further bidding in the reverse

¹⁵ As noted in the *Transition Scheduling Adoption Public Notice*, broadcasters nevertheless may engage in a wide range of communications when preparing for the transition and involving their final channel assignments without violating the prohibition. *See Transition Scheduling Adoption Public Notice* at 31-32, paras. 65-66.

¹⁶ See Guidance Regarding the Prohibition of Certain Communications During the Incentive Auction, Auction 1000, Public Notice, 30 FCC Rcd 10794, 10799, para. 14 (WTB 2015) (Guidance PN).

¹⁷ As noted in the *Guidance PN*, no action taken will protect a party against liability in the event a prohibited communication nevertheless takes place. *See Guidance PN*, 30 FCC Rcd at 10799, para. 14. Consequently, covered parties may be inclined to err on the side of caution.

¹⁸ Transition Scheduling Adoption Public Notice at 32, para. 67.

¹⁹ *Id.* at 32, para. 68.

²⁰ The Wireless Telecommunications Bureau has delegated authority to "administer . . . spectrum auctions" and to "act[] on waivers of rules." 47 CFR § 0.131(a), (c); see also 47 CFR § 0.331. In the Incentive Auction R&O, the Commission affirmed this delegation of authority to the Wireless Telecommunications Bureau to administer the reverse auction. See Incentive Auction R&O, 29 FCC Rcd at 6574, para. 15 (affirming the Wireless Telecommunication Bureau's "well-established authority" with respect to auction procedures), and 6774, para. 499 n.1434, affirmed, National Association of Broadcasters v. FCC, 789 F.3d 165 (D.C. Cir. 2015) (stating that the Wireless Telecommunications Bureau "has delegated authority with respect to the administration of spectrum license auctions, including . . . the reverse auction component of incentive auctions . . .").

²¹ See 47 CFR § 1.3.

²² 47 CFR § 1.2203(b) ("A bid is an unconditional, irrevocable offer by the bidder to fulfill the terms of the bid. The Commission accepts the offer by identifying the bid as winning. A bidder has a binding obligation to fulfill the terms of a winning bid. A winning bidder will relinquish spectrum usage rights pursuant to the terms of any winning bid by the deadline set forth in § 73.3700(b)(4) of this chapter.").

auction. Each reverse auction bidder has made its final irrevocable bid, no licensee can change its reverse auction bids or bidding strategies, and the outcome of the reverse auction bidding cannot be changed for any party or as a whole.²³ We therefore conclude that application of the rule is not necessary to serve its underlying purpose with respect to communications between broadcasters regarding reverse auction bids and bidding strategies.

- 12. Communicating reverse auction bids or bidding strategies to forward auction applicants still may affect bidding in the forward auction. He forward auction applicants are minimal at this point in the auction. The forward auction has passed significant milestones. A substantial amount of bidding in the forward auction clock phase already has taken place. The final stage rule has been met, meaning that the auction proceeds are both sufficient to meet the costs required by statute and to satisfy the Commission's rule with respect to the average price in the top 40 PEAs. The assignment phase, while essential to determining the particular frequencies awarded each winning bidder, will not change the outcome of the clock phase, once it is completed. Furthermore, given the point already reached in the clock phase and the purpose of and the procedures for the assignment phase, the ability of a forward auction bidder to use information about reverse auction bids or bidding strategies to manipulate the outcome for anti-competitive purposes appears to be remote. Finally, because we are waiving the rule to allow certain communications with all broadcasters and all forward auction applicants, the information is potentially equally available to all.²⁵
- 13. We conclude that the continued strict application of the rule is unnecessary. Waiver of the rule to further the goal of a rapid, non-disruptive post-auction transition is in the public interest. Continued strict application of the rule would limit at least some communications, and potentially a substantial number of communications, that otherwise might occur regarding the post-auction transition in the time remaining before the end of the incentive auction, thereby undercutting the benefits of advance notification. Moreover, maintaining the prohibition on communications to forward auction applicants of reverse auction bids and bidding strategies could constrain other communications potentially beneficial to transition preparations, as broadcasters might avoid any risk of a communication being conveyed to a forward auction applicant by avoiding communicating such information altogether.
- 14. Taking all of the foregoing into account, we conclude that there is good cause to waive in part sections 1.2205(b)(1) and 1.2105(c)(6)(ii) to the extent that they prohibit communications with respect to reverse auction bids or bidding strategies. For reasons discussed above, the underlying purpose of the rules creating the prohibition against communicating reverse auction bids or bidding strategies would not be served by continued application of the prohibition and this partial waiver will further the public interest in facilitating the post-auction transition.²⁶ In addition, and alternatively, given the unique circumstances of the incentive auction, maintaining the prohibition with respect to the communication of

²³ In contrast, the fact that one covered party will not or cannot bid is not, without more, good cause for waiving the prohibition. The prohibition serves its purposes when applied to communications with covered parties that are not able to bid. *See Star Wireless, LLC v. FCC*, 522 F.3d 469 (D.C. Cir. 2008).

²⁴ For example, a forward auction bidder might attempt to use information about reverse auction bids and results to focus its own bidding on particular markets or frequencies.

²⁵ The Commission retains recourse in the event that acts by forward auction applicants utilizing reverse auction bids or bidding strategies affect the fair and efficient conduct of the competitive bidding. *See* 47 CFR § 1.2103(i) ("The Commission may delay, suspend, or cancel an auction in the event of . . . any other reason that affects the fair and efficient conduct of the competitive bidding.").

²⁶ See Omnipoint Corp. v. FCC, 213 F3d 720 (2000) (discussing standard in 47 CFR § 1.925(b)(3) for finding good cause for granting a waiver with respect to wireless applications and proceedings).

reverse auction bids or bidding strategies would be contrary to the public interest, and covered parties lack a reasonable alternative to the relief provided herein.²⁷

15. The waiver is limited to direct or indirect communications regarding any incentive auction applicant's bids or bidding strategies in the reverse auction only. The waiver in no way alters the otherwise applicable prohibition with respect to communications regarding bids or bidding strategies in the forward auction. This limited waiver will foreclose concerns that communications regarding the post-auction channel assignments might violate the prohibited communications rule by communicating reverse auction bids or bidding strategies. It thereby will promote a speedy and efficient transition by enabling covered parties to make productive use of post-auction channel assignment information to plan for construction of new facilities.

III. BROADCAST STATION SALES AND TRANSFERS

- 16. As noted above, there will be no more bidding in the reverse auction. Broadcasters are free to negotiate assignments or transfers of broadcast licenses or other transactions involving a transfer of control of a licensee that has been involved in the reverse auction. We remind broadcasters that each reverse auction applicant has a continuing duty to update its auction application in the event of material changes to the information contained therein. This continuing duty places limits on the extent of ownership changes that are permissible while the auction application remains pending.
- 17. As discussed in the *Guidance PN*, auction application rules against major modification to applications bar changes in control of an applicant after the auction application filing deadline if such changes "would constitute an assignment or transfer of control." The bar on assignments or transfers of control with respect to a reverse auction applicant does not preclude negotiating such transactions that are otherwise consistent with our rules and applicable laws. Moreover, the bar on assignments or transfers of control does not preclude parties from filing applications with the Commission for assignment of a Commission license or control of a Commission licensee that was a reverse auction applicant. The Commission could grant such an application because the grant alone, without consummation of the transaction, would not effectuate the assignment or transfer.
- Absent a waiver, however, the bar on major modifications to an auction application will continue to preclude the actual consummation of any transaction that constitutes an assignment or transfer of control with respect to an auction applicant until after the *Closing and Reassignment Public Notice* is released. To facilitate auction participation by broadcasters, the Wireless Telecommunications Bureau waived the bar before the auction for transactions that satisfied certain conditions that protected the integrity of the auction process.³⁰ The Wireless Telecommunications Bureau will address whether granting any specific requests for future waivers of the bar may be appropriate or if granting any specific request may create undue risks to the integrity of the auction process. The bar continues to safeguard against risks that changing control of licensees might require special treatment for the licensee with respect to post auction incentive payments and relocation reimbursement payments, require adjustments to related software, or create the potential for error. Given the limited time remaining until the *Closing*

²⁷ *Id*.

²⁸ See Application Procedures for Broadcast Incentive Auction Scheduled to Begin on March 29, 2016; Technical Formulas for Competitive Bidding, Public Notice, 30 FCC Rcd 11034, 11052-53, para. 50 and n.100 (WTB 2015) ("An applicant's FCC Form 177 and associated attachments will remain pending until the release of the [Closing and Reassignment Public Notice].") (Auction 1000 Application Procedures Public Notice).

²⁹ 47 CFR § 1.2204(d)(3). This bar does not apply to pro forma transfers or assignments. *See Guidance PN*, 30 FCC Rcd at 10802-03, para. 22.

³⁰ See Guidance PN, 30 FCC Rcd at 10802-03, para. 22.

and Reassignment Public Notice is released, much of which may be needed simply to negotiate, file and get approval for any underlying transaction(s) or to update filings for pending transactions, we conclude that individually assessing particular circumstances is the best approach for determining whether application of the bar is necessary to safeguard against these risks.

IV. ADDITIONAL REMINDERS

- 19. We remind broadcasters generally that other auction rules continue to apply to all reverse auction applicants, notwithstanding the waiver granted above or the fact that there is no further bidding in the reverse auction.³¹
- 20. We remind broadcasters of the measures the Commission adopted to protect the confidentiality of broadcaster participation in the reverse auction. As already noted, in the Spectrum Act, Congress required the Commission to "take all reasonable steps necessary to protect the confidentiality of Commission-held data of a licensee participating in the reverse auction . . . including withholding the identity of such licensee" until both the reverse and forward auctions are complete. The Commission decided to protect confidential information pertaining to unsuccessful reverse auction bids until two years after the auction completion date to encourage broadcasters to participate in the reverse auction. In furtherance of this decision, the FCC determined that it would not release any information about the status of applications to participate in the reverse auction or about specific bids during the defined period. To comply with these requirements and remain consistent with its prior actions, the Commission will treat both the fact of any filing or correspondence related to the identity of a reverse auction participant and the content of all such filings and correspondence as confidential for the duration of the period defined by the Commission.
- 21. Finally, we remind all broadcasters that have not already done so to log in to the updated Commission Registration System (CORES) (https://apps.fcc.gov/cores) and set up a username and password. Detailed instructions on how to register for an FCC Username Account can be found at: https://apps.fcc.gov/cores/html/Register_New_Account.htm. Furthermore, broadcasters must also associate their CORES username to an FRN. Detailed instructions on how to link the username to an FRN can be found at: https://apps.fcc.gov/cores/html/Associate_Username_to_FRN.htm. For additional information, please contact the Updated CORES System hotline at 202-418-4120 or CoresPilot@fcc.gov.

V. CONTACT INFORMATION

22. Any broadcaster that believes that it should have but has not received a confidential letter regarding a station's channel assignment within one week of the date of this Public Notice should contact the Auctions Hotline at (717) 338-2868. The contact person for each station is responsible for ensuring that it receives all appropriate information.

³¹ See Auction 1000 Application Procedures Public Notice, Public Notice, 30 FCC Rcd at 11039-40, paras. 7 and 8.

³² 47 U.S.C. § 1452(a)(3).

³³ 47 CFR § 1.2206; see also Incentive Auction R&O, 29 FCC Rcd at 6733-34, para. 391.

³⁴ See Auction 1000 Bidding Procedures Public Notice, 30 FCC Rcd at 9032, para. 107.

³⁵ See also The Incentive Auction Task Force Announces an Online Tutorial for Full Power and Class A Broadcasters and Multichannel Video Programming Providers On Preparing To Receive Post-Auction Payments, Public Notice, DA 16-1410 (MB/OMD Dec. 19, 2016).

23. Commission staff are available to respond to questions related to the contents of this Public Notice. For television broadcasting technical questions, contact Kevin Harding, Kevin:Harding@fcc.gov, (202) 418-1600. For television broadcasting legal questions, contact Shaun Maher, Shaun:Maher@fcc.gov, (202) 418-1600. For general auction questions, contact Linda Sanderson, <a href="Linda:

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